

Message Text

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PAGE 01 STATE 066208
ORIGIN EA-06

INFO OCT-01 ISO-00 /007 R

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APPROVED BY EA - EHHEGINBOTHAM
EA/TIMBS - ECESKY

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-----115457 151349Z /42
R 150354Z MAR 78
FM SECSTATE WASHDC
TO AMEMBASSY JAKARTA

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LIMDIS

E.O. 11652: N/A

TAGS: EGEN, ID

SUBJECT: PROPOSED LETTER TO BOI GOVERNOR RACHMAT SALEH

REF: HEGINBOTHAM-WIDJOJO DISCUSSION IN JAKARTA MARCH 4

1. FOLLOWING IS TEXT OF PROPOSED LETTER TO BOI GOVERNOR
RACHMAT SALEH, WHICH EMBASSY IS REQUESTED AT ITS DISCRETION
TO TRANSMIT SUBJECT TO ANY CHANGES YOU MIGHT SUGGEST:

2. BEGIN TEXT: DEAR GOVERNOR: UNEXPECTED BUSINESS TOOK
ME TO JAKARTA LAST WEEK AND I HAD HOPED TO CALL ON YOU
BRIEFLY THEN. FAILING THAT I WANT TO TAKE THIS OPPORTUNITY
TO RAISE WITH YOU A MATTER WHICH HAS CONCERNED ME FOR SOME
TIME.

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YOU WILL BE AWARE THAT A SUB-COMMITTEE OF THE SENATE
BANKING AND CURRENCY COMMITTEE SUMMONED ME LATE LAST YEAR
TO TESTIFY ON MY EXPERIENCE WITH THE PERTAMINA DEBT SITUA-
TION IN INDONESIA. THEIR CONCERN WAS THAT COMMERCIAL BANK
ACTIVITY MIGHT UNDERMINE THE EFFECTIVENESS OF LOAN CONDI-
TIONS BEING ESTABLISHED IN THE IMF WITTEVEEN FACILITY.

I WAS DEEPLY DISTRESSED TO DISCOVER THAT THE SUB-COMMITTEE REPORT, WHICH IN PART VERY BRIEFLY SUMMARIZED AND INTER-

PRETED MY TESTIMONY, MISUNDERSTOOD OR MISREPRESENTED ME AS SAYING THAT THE U.S. GOVERNMENT/EMBASSY HAD PUT PRESSURE ON THE INDONESIAN GOVERNMENT TO GET IT TO SETTLE THE PERTAMINA DEBTS. NEITHER I NOR ANY OF MY COLLEAGUES WHO ATTENDED THIS SESSION, NOR THE FULL TRANSCRIPT OF THE TESTIMONY WHICH HAS NOT BEEN PUBLISHED BUT WHICH WE HAD A FEW DAYS TO REVIEW, IDENTIFIES ANY STATEMENT BY ME WHICH ASSERTED OR IMPLIED SUCH PRESSURE. I OF COURSE MADE NO SUCH ASSERTION OR IMPLICATION. QUITE THE CONTRARY, I WAS MOST EXPLICIT IN EXPRESSING UNQUALIFIED PRAISE FOR THE EXCEPTIONAL SKILL AND PROFESSIONALISM WITH WHICH YOU AND THE INDONESIAN GOVERNMENT HANDLED THE ENTIRE MATTER, AT THE TIME OF THE THREATENED DEFAULTS AND SUBSEQUENTLY. I REPEATEDLY STRESSED THAT THE AMERICAN EMBASSY ROLE WAS SOLELY TO MAINTAIN CLOSE COMMUNICATIONS WITH THE PRINCIPLE PARTIES CONCERNED TO MAKE SURE THAT NO ONE TOOK ANY PRECIPITOUS ACTION WITHOUT THE FULLEST AND MOST UP-TO-DATE INFORMATION ON EFFORTS BEING MADE BY YOUR GOVERNMENT TO RESOLVE THE PROBLEM.

I AM ESPECIALLY CONCERNED TO HAVE ALL MY OFFICIAL INDO-NESIAN FRIENDS UNDERSTAND THAT THE SUB-COMMITTEE REPORT, LIMITED OFFICIAL USE

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AS WELL AS THE STRAITS TIMES AND THE ASIAN WALL STREET JOURNAL ARTICLES WHICH COVERED THIS REPORT, WERE WRONG IN ASSERTING THAT I TESTIFIED TO SUCH U.S. PRESSURES. IF YOU BELIEVE IT WOULD BE HELPFUL PLEASE FEEL FREE TO FORWARD A COPY OF THIS LETTER TO ANY OF YOUR COLLEAGUES WHO MIGHT HAVE BEEN CONCERNED BY THESE REPORTS, POSSIBLY INCLUDING MINISTERS ALI WARDHANA, SADLI AND WIDJOJO.

AS YOU MAY LEARN, I HAD VERY USEFUL TALKS WITH MINISTERS WIDJOJO AND RADIUS PRAWIRO AND OTHERS, CONCERNING POSSIBLE IMPROVEMENTS IN OUR ECONOMIC ASSISTANCE TO INDONESIA.

WITH BEST WISHES, SINCERELY, ERLAND H. HEGINBOTHAM. END TEXT.

3. PLEASE SEND A BLIND CARBON COPY TO DR. ARIFIN SIREGAR AT THE BANK OF INDONESIA. VANCE

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Message Attributes

Automatic Decaptoning: Z

Capture Date: 01 jan 1994

Channel Indicators: n/a

Current Classification: UNCLASSIFIED

Concepts: DEBTS, LOANS, DEBT REPAYMENTS

Control Number: n/a

Copy: SINGLE

Draft Date: 15 mar 1978

Decaption Date: 20 Mar 2014

Decaption Note: 25 YEAR REVIEW

Disposition Action: RELEASED

Disposition Approved on Date:

Disposition Case Number: n/a

Disposition Comment: 25 YEAR REVIEW

Disposition Date: 20 Mar 2014

Disposition Event:

Disposition History: n/a

Disposition Reason:

Disposition Remarks:

Document Number: 1978STATE066208

Document Source: CORE

Document Unique ID: 00

Drafter: EHHEGINBOTHAM:LRR

Enclosure: n/a

Executive Order: N/A

Errors: N/A

Expiration:

Film Number: D780115-0299

Format: TEL

From: STATE

Handling Restrictions:

Image Path:

ISecure: 1

Legacy Key: link1978/newtext/t19780365/aaaaccoc.tel

Line Count: 111

Litigation Code IDs:

Litigation Codes:

Litigation History:

Locator: TEXT ON-LINE, ON MICROFILM

Message ID: bb40cec6-c288-dd11-92da-001cc4696bcc

Office: ORIGIN EA

Original Classification: LIMITED OFFICIAL USE

Original Handling Restrictions: ONLY

Original Previous Classification: n/a

Original Previous Handling Restrictions: n/a

Page Count: 3

Previous Channel Indicators: n/a

Previous Classification: LIMITED OFFICIAL USE

Previous Handling Restrictions: ONLY

Reference: n/a

Retention: 0

Review Action: RELEASED, APPROVED

Review Content Flags:

Review Date: 02 may 2005

Review Event:

Review Exemptions: n/a

Review Media Identifier:

Review Release Date: n/a

Review Release Event: n/a

Review Transfer Date:

Review Withdrawn Fields: n/a

SAS ID: 3321349

Secure: OPEN

Status: NATIVE

Subject: PROPOSED LETTER TO BOI GOVERNOR RACHMAT SALEH

TAGS: EGEN, ID, IMF

To: JAKARTA

Type: TE

vdkvgwkey: odbc://SAS/SAS.dbo.SAS_Docs/bb40cec6-c288-dd11-92da-001cc4696bcc

Review Markings:

Sheryl P. Walter

Declassified/Released

US Department of State

EO Systematic Review

20 Mar 2014

Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014